

U.S. Confectionery Sweetens Exports to South Korea

By Seh Won Kim

In 2003, South Koreans indulged a national sweet tooth when 49 million consumers spent \$1.8 billion on confectionery products. Of this amount, \$167 million worth were imported. The United States led the way with \$40.9 million in sales, for a 24.5-percent import share, followed by China (14 percent) and Australia (7 percent).

Chocolates, Demographics

Though sales tend to be seasonal, ever-popular chocolates made up almost 70 percent of U.S. confectionery sales to South Korea in calendar 2003.

Valentine's Day sales account for 60 percent of chocolates sold in the country, with demand also up during White Day season in March. Marketing for these holidays takes into account that on February 14, female consumers present their significant others or male friends with gifts, but on March 14, the tables are turned and male consumers are on the giving end. In March, gifts often include white candy or chocolates. Other important candy-giving holidays include Christmas in December and university entrance examinations in November.

Short-term overall growth prospects for the South Korean confectionery market are healthy, as evidenced by a 4-percent increase in sales from 2002 to 2003. A falling birth rate, however, is expected to eventually reduce consumption by the 10- to 19-year-old age group. Suppliers should plan accordingly.

South Korean consumers opt for rec-



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ognized confectionery brands. But manufacturers must become increasingly sophisticated with product development and target new demographic groups, such as working women, parents and senior consumers.

Also, diet foods are big business in South Korea, and confectionery items that fit into this health trend are supplanting sugar-based products.

Domestic suppliers now control 60 percent of the marketplace. Brand recognition, vigorous promotional activities and constant updating of products have led to a competitive race that foreign suppliers are winning, edging out domestic brands.

Entry Strategy Requires Planning

Market research heads the list of preparation chores for suppliers planning to enter this marketplace.

To introduce your business, send catalogs, brochures, product samples and price lists to prospective importers. Once you've established contact, visit the

importer and see the market firsthand. While visiting the importer, bring everything needed to negotiate a sales contract. If the importer believes the product will be accepted well in the Korean market, the business deal likely will be quickly made with new suppliers. If not, more time will be needed to survey the market.

U.S. suppliers are encouraged to use letters of credit when doing business with Korean importers.

The Korean importer can help determine the best way to present a new product to consumers, perhaps through design or packaging changes or fine-tuning tastes for local preferences.

Local food shows provide an opportunity to showcase products to a larger audience. Show participation enhances initial contacts with importers, agents, wholesalers, distributors and retailers in the Korean food industry.

MIATCO (the Mid-America International Agri-Trade Council) offers a series of low-cost services to help U.S. suppliers determine the best approach to the Korean market. Fees depend on services provided. Further information is available at the MIATCO Web site: www.miatco.org/us_food/services/index.htm

Large Retailers Simplify Distribution

Korean retailers rarely import food products directly, including confectionery products. However, foreign retailers, such as Wal-Mart and Carrefour, import a limited number of food products.

The advent of hypermarkets, supermarkets and retail chains in South Korea has eased distribution for imported confectionery brands. Suppliers no longer have to rely on traditional channels that service mom-'n'-pop outlets. With one

central buying office per retail company, suppliers can more easily introduce, market and promote new products.

Costs in the South Korean Market

A container of confectionery from the West Coast of the United States would likely incur these expenses:

- Freight and insurance: \$850
- Taxes: 18 percent of total value (8-percent tariff plus 10-percent value-added tax)
- Other charges, such as inspection fees, broker's fees, port handling and service charges, transportation and warehouse charges: \$2,800

Distributors usually pass along 12-percent fees to retailers, which in turn mark up products from 20 to 38 percent.

Importers Furnish Paperwork

The importer must obtain a certificate for the shipment. Upon entry, food shipments will face document inspections and random product sampling that can be visual or require laboratory testing, depending on the food product and the interpretation of the regulations by the Korean customs official. Once the import certificate is issued, contingent upon

U.S. Brands, Packaging Count in South Korean Confectionery Market

Positives for U.S. Suppliers	Improvements Needed (for Suppliers and Market)
Relatively low customs duties	Labeling in Korean language
Good package designs	Smaller packages
U.S. brands and country image important to consumers	Shelf life with date instead of code
Competitively priced products	Addressing consumer food safety concerns
Consumers more accepting of imported foods	Timely response to inquiries
Younger generation becoming more Westernized	Transparent, stable food regulations

inspection, the importer can clear the product through customs.

Labeling requirements change frequently. Korean language stickers may be used but cannot cover original labeling. For functional food items, however, original Korean language labels must be used. Functional foods can carry an efficacy claim, such as a health benefit, and are not classified as pharmaceutical products. The Korea Food and Drug Administration has special requirements for products making health claims.

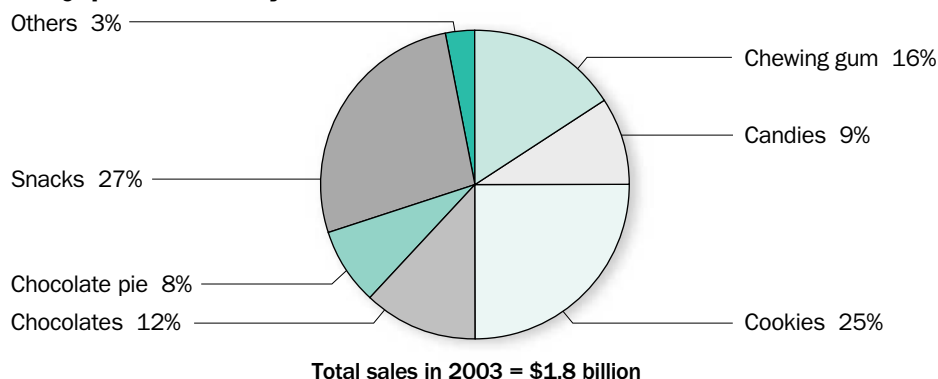
There are some labeling requirements for products that do not change:

- Name
- Type

- Importer's name and address
- Manufacturing month and year
- Shelf life
- Contents by weight, volume or number of pieces
- Ingredients and percent of content
- Nutrient content for certain foods
- Country of origin
- Any cautions or standards of use or preservation

As of July 2004, South Korea had a positive list of 615 approved food additives. Tolerance levels are established on a product-by-product basis. If your product has an additive not on this list, registration of the new additive can be time-consuming, even if a Codex Alimentarius standard already exists. ■

Slicing Up the Confectionery Pie in South Korea



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